

Introduced by Senators Scott and Alpert

February 21, 2003

An act to amend Section 6368.8 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 760, as introduced, Scott. Sales and use taxes: exemptions: public passenger vehicles.

The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax. One of these exemptions, effective until January 1, 2004, is an exemption for specified sales and leasebacks of qualified equipment, as defined, used in the provision of public transportation services, as well as for purchases of leased or subleased qualified equipment purchased by a qualified person, as defined, at the end of the term of the lease or sublease.

This bill would indefinitely extend this provision.

Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes.

Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 6368.8 of the Revenue and Taxation
2 Code is amended to read:

3 6368.8. (a) There are exempted from the taxes imposed by
4 this part, the gross receipts from the sale in this state of, and the
5 storage, use, or other consumption in this state of, qualified
6 equipment, provided all of the following conditions are satisfied:

7 (1) The qualified equipment is sold or leased by a qualified
8 person.

9 (2) The qualified person has paid sales tax reimbursement or
10 use tax with respect to the qualified person's purchase or
11 acquisition of the qualified equipment.

12 (3) The qualified equipment is sold or leased by the qualified
13 person and the qualified equipment is leased back to the qualified
14 person.

15 (b) For purposes of this section:

16 (1) "Qualified person" means an entity that qualifies as a
17 claimant, as defined in Section 99203 of the Public Utilities Code,
18 eligible to receive allocations under the Transportation
19 Development Act (commencing with Section 99200 of the Public
20 Utilities Code).

21 (2) "Qualified equipment" means a vehicle or vessel and any
22 related equipment used in the provision of public transportation
23 services, including, but not limited to, bus and van fleets, ferry
24 boats, rail passenger cars, locomotives, other rail vehicles, train
25 control equipment, fare collection equipment, communication
26 systems, global positioning systems, and other systems and
27 accessories related to the operation of a vehicle or vessel used in
28 the provision of public transportation services.

29 (c) The exemption provided by this section also applies to
30 subsequent purchases of qualified equipment by a qualified person
31 at the end of the term of a lease or sublease of qualified equipment,
32 provided the provisions of paragraphs (1), (2), and (3) of
33 subdivision (a) are met.



(d) The Legislative Analyst, in consultation with the State Board of Equalization and the Franchise Tax Board, shall conduct a study on the impact of the exemption authorized under this section and shall report to the Legislature, by January 1, 2003, on the following:

(1) The number of persons utilizing the exemption.

(2) The fiscal impact of the exemption, including the total exemption amount and any depreciation claimed for qualified equipment.

(3) The impact, if any, of federal law, including, but not limited to, Revenue Ruling 99-14, on the utilization of the exemption.

(4) The impact of the exemption on California's public transit sector.

(5) A recommendation as to whether the exemption should be extended beyond the January 1, 2004 expiration date, and if it is recommended that the exemption should be extended, recommendations on modifications to the existing exemption provisions that should be implemented.

~~(e) This section shall remain in effect only until January 1, 2004, and as of that date is repealed.~~

SEC. 2. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any sales and use tax revenues lost by it under this act.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect. However, the provisions of this act shall become operative on the first day of the first calendar quarter commencing more than 90 days after the effective date of this act.